

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

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MAIL PROCESSING NETWORK  
RATIONALIZATION SERVICE CHANGES, 2012

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Docket No. N2012-1

AMERICAN POSTAL WORKERS UNION, AFL-CIO RESPONSE TO USPS REPLY  
TO APWU MOTION TO PRODUCE A POLICY WITNESS  
(March 13, 2012)

In its Reply to APWU's Motion to Compel a Policy Witness, filed March 9, 2012, the Postal Service acknowledges that it has not conducted any study of the combined impact of various initiatives that have been pursued by the Postal Service. This admission is alarming. The Postal Service Reply omits the fact that the initiatives at issue in APWU's Motion are often presented by the Postal Service as part of an overall strategy, each necessary to the financial stability and future health of the Postal Service. For example, in Docket No. R2010-4, USPS witness Joseph Corbett states: "this [financial] situation is so dire that no single action by the Postal Service or concession by stakeholders can fill the void. Rather, we must take a balanced approach."<sup>1</sup> This approach includes efforts to, among other things, "adjust delivery frequency from 6 days a week to 5 days" [subject of Docket N2010-1] and "modernize retail access" [subject of Docket No. N2011-1].<sup>2</sup>

More recently, in its February 16, 2012 "Plan to Profitability" the Postal Service states "[e]ach of the Strategic Initiatives is essential in order to restore the Postal Service to financial viability" and then lists several "key items for consideration" including:

- Better align network size with volumes
  - Facilities need to be re-evaluated and streamlined/consolidated
  - Local Post Office cost reductions
- Service levels must be addressed
  - 6 → 5 day delivery

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<sup>1</sup> Docket No. R2012-4, Statement of Joseph Corbett on behalf of the USPS at 9 (July 6, 2010).

<sup>2</sup> Id.

- Modify overnight service standards for First-Class Mail
- Facilitates network optimization<sup>3</sup>

Also included among the “key items” is a rate increase.<sup>4</sup> [USPS Plan to Profitability attached hereto]. Page 14 of this business plan shows the “total potential savings” estimated by the Postal Service if all the initiatives were implemented. Although it is not known how this savings estimate was determined, one would hope that it took into account the synergistic impact on volume and revenue of implementing all of the initiatives. This is especially true given the Postal Service statement on page 24 of the “Plan to Profitability” that “each element of the Business Plan must be completely and successfully accomplished to achieve requisite savings – initiatives are significantly interdependent.” Moreover, the Postal Service states the biggest risk if its Business Plan is enacted in its entirety, is that “First Class Mail diversion” [will be] worse than [USPS has] forecast.” This indicates acknowledgment of the interplay between the initiatives, which should be considered. If First Class Mail diversion is greater than anticipated, the Postal Service may suffer a worse financial fate and have a difficult time meeting all of the requirements of Title 39. The Commission should not permit the Postal Service to flout its future responsibilities to all users of the mail by allowing it to move forward with the current initiative without requiring consideration of how it may be impacted by other initiatives that it is pursuing.

The Postal Service’s Reply also stresses its inability to know what will happen with initiatives that were the subject of Docket Nos. N2010-1, N2011-1 and R2010-4. However, the Postal Service appears to still be working towards getting these initiatives implemented. For example, it has made progress on implementing several initiatives including:

- its push to establish 5-day delivery (which it so far has succeeded in getting implementation of in both the Senate and House bills passed by committee);
- its request for an exigent rate case (to date USPS have successfully gotten various provisions allowing it to pierce the CPI cap in the President’s budget, and House and Senate bills);
- the drive to close 10,000 Post Offices over the next 5 years (with more than 3,000 being scrutinized currently).

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<sup>3</sup> USPS Plan to Profitability, slide 13 (February 16, 2012).

<sup>4</sup> Id.

The Postal Service is pushing forward with these initiatives and seeing some success; thus our assertion regarding the likelihood of multiple initiatives occurring simultaneously is more than “strident speculation”

The Postal Service also admits in its Reply that it abandoned a study of the potential impacts on volume and revenue if it were to implement “a grand amalgam of service change concepts.” USPS Reply at 6. This admission raises several questions regarding the initiation and termination of the study and the responsible Postal Service official(s). These are not questions that can be answered by the market research witnesses as the Postal Service suggests, but this information is relevant to this case and it is likely the Postal Service witness we seek might have this information.

Finally, the Postal Service Reply suggests that the combined impact on service, volume and revenue, is a curiosity limited solely to the APWU. However, several parties, including the Presiding Officer, have inquired about various aspects of combining certain Postal Service strategic initiatives. For example, Presiding Officer’s Information Request No. 3 filed January 13, 2012, sought information about the combined impact on service delivery of implementing the current proposal and the changes proposed in N2010-1, Six-Day to Five Day Delivery and Related Service Changes. The National Association of Letter Carriers inquired about whether these combined changes were examined in the quantitative market research. NALC/USPS-T12-14, filed January 17, 2012. Likewise, the Greeting Card Association asked whether Postal Service witness Williams has examined the cumulative impact of implementing the proposals in Dockets Nos. N2011-1, N2010-1, R2010-4R, and the elimination of collection boxes when he stated on page 16, line 12-15 and Footnote 17, of his testimony:

The potential impact of plant consolidations on entry of single-piece First-Class Mail as a whole would be much less significant, since the more expansive retail network is unaffected by this initiative and serves as the primary channel through which single-piece mail is entered.[FN 17]

FN 17. Single-piece mailers have a variety of alternative entry points within the service area of a P&DC through which to enter mail that would be virtually unaffected by a plant consolidation. Only a relatively small percentage of their mail is entered at a retail counter or collection box located at a P&DC. The overwhelming majority of single-piece mail is entered at retail windows; lobby slots,

P.O. boxes or collection boxes at Post Offices, stations or branches; picked up by letter carriers; deposited in collection boxes not on postal premises; or deposited via alternate access channels such as Contract Postal Units or Approved Shippers.

GCA/USPS-T1-3 (filed December 23, 2011); see also GCA/USPS-1, 2 and 5 (filed December 12, 2011)(asked about the relationship between network rationalization and the elimination of Saturday delivery and the relationship between network rationalization and post office closings); GCA/USPS-T11-1 (filed December 23, 2011)(asked whether market research respondents were told about reduction in delivery days from 6 to 5); NPMHU/USPS-T1-1 (filed January 12, 2012) (inquired about service standard application in a 5 delivery day environment). APWU is clearly not alone in its interest and concern about the cumulative impact of various Postal Service initiatives. Though the Postal Service denies the importance of this information the Commission should not foreclose examination of these issues.

## **Conclusion**

The Postal Service has chosen presently not to study the combined impacts of these initiatives, yet previously someone at the Postal Service agreed this was a task worth undertaking. The Postal Service has admitted that its intentions are to implement all of the initiatives, that it is in fact necessary and has acknowledged that many are interrelated. The Postal Service has presented savings totals from implementation of all of the initiatives; clearly someone at the Postal Service has thought about these issues and should be able to answer questions about them. For these reasons, and for those stated in our original Motion, APWU's Motion to Compel a Witness should be granted.

Respectfully submitted,

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